



International Chamber of Commerce

The world business organization

Discussion Paper



Prepared by the ICC Commission on
Competition

ICC comments on commitments offered to the European Commission by Samsung Electronics on the use of standard essential patents (SEP)

Highlights

- General observations
- Specific comments

The International Chamber of Commerce (“ICC”) supports a competition policy that fosters innovation and robust intellectual property protection and appreciates the opportunity to comment on the draft commitments offered by Samsung Electronics in the above-mentioned matter.

ICC is a worldwide business organization that unites many thousands of companies. Among its members are many holders of intellectual property, as well as users of technology. While ICC does not generally comment on individual cases and will refrain from commenting on the merits of the European Commission’s investigation at hand, or Samsung’s licensing practices, it notes that the proposed commitments, once declared binding on Samsung, may have a significant impact on how intellectual property license agreements are negotiated and licensing terms are set and on the role of antitrust regulation in technology transfer for *de facto* or *de jure* standardized technologies. As a consequence, in their final form, the commitments in the investigation at hand may have an impact on the innovation incentives of intellectual property holders and licensees that extends far beyond the specific subject matter of the investigation that gave rise to the commitments.

ICC favors effective mechanisms that help companies to efficiently license intellectual property rights, whether or not the rights at issue can be qualified as standard essential or not, and notes that undue delay caused by patent holders or potential licensees may frustrate the negotiation and adjudication process.

ICC will first submit a number of general observations. Those observations are followed by a number of specific comments.

First, ICC takes the position that commitments adopted pursuant to Article 9 of Regulation 1/2003 should be tailored to the identified competitive problem at hand and should, more specifically, be firmly based on the principles of necessity and proportionality. In this respect, ICC notes that the draft commitments apply to specific intellectual property rights and extend to injunctive relief procedures before any court or tribunal in the EEA. ICC is not aware of the precise nature of the identified violations and is therefore unable to comment on whether the territorial scope of the commitments is justified. In the event that the alleged infringements only relate to some jurisdictions in the EEA, ICC believes that the draft commitments may be drawn too widely.

Second, ICC believes that the parties involved, interested parties and others have a legitimate expectation that Article 9 decisions will create legal certainty. In this light, ICC is concerned that the Commission - as it has itself recognized the novel nature of the theory of potential harm in stating at paragraph 13 of the draft Commitments - states that it may need to reconsider its position in light of a judgment by the Court of Justice in Case C-170-13 or in another case.

There is also a risk that lack of clarity on the law will create a situation where infringers will have the incentive not to negotiate a license and engage in “reverse hold up” as was described in the Order for Reference of case C170/13.

Third, ICC notes that intellectual property rights, in particular standard essential patents, are often licensed on a worldwide basis. As a consequence, ICC calls on the Commission to ensure that any EEA-specific regime for negotiating license agreements and setting FRAND terms, would not hamper the effective licensing of those patents in other parts of the world.

Fourth, since a final decision did not result from this investigation, it is not possible for ICC to know the Commission’s methodology in provisionally attributing one or more dominant position(s) to Samsung. In ICC’s view, however, the Commission should not have considered, without a full analysis, attributing, whether or not based on a presumption, to Samsung a dominant position with respect to each relevant standard-essential patent (“SEP”) which it asserts. As held by the European Court of Justice and codified in paragraph 269 of the Commission’s Horizontal Cooperation Guidelines, 2011 OJ C11/1: “... *there is no presumption that holding or exercising IPR essential to a standard equates to the possession or exercise of market power. The question of market power can only be assessed on a case by case basis.*” Thus, the existence of a dominant position can only be confirmed on the basis of a full analysis of a properly-defined relevant market.

ICC observes that paragraph 61 of Case COMP/M.638 Google/Motorola Mobility (13 February 2012), which stated after the briefest of discussion that each individual SEP owned by Google constituted a relevant market, is inconsistent with this principle, and submits that in Article 102 investigations the Commission should rather continue to follow the approach to Article 102 set forth in paragraphs 16-26 of Case COMP/38.636, Rambus, 9 Dec. 2009. ICC submits that in any event the Commission should maintain a clear distinction between its decisional history under the Merger Regulation, which applies the SIEC test to decide if a concentration is compatible with the internal market, and its jurisprudence under Article 102 TFEU.

Fifth, while ICC notes the fundamental right of intellectual property owners to seek injunctions when their intellectual property is infringed upon - and standard essential patents subject to a FRAND commitment are no different - it also acknowledges that in the case of FRAND encumbered standard essential patents it might in specific circumstances be appropriate, notably where the potential licensee is through their behavior demonstrably willing to take a license on FRAND terms, to oblige companies to refrain from seeking injunctive relief.

ICC submits the following specific comments:

ICC is concerned about the possible length of the adjudication process as set out in the proposed commitments. In particular, the possibility for appeal appears in effect to offer two full rounds of arbitration. ICC therefore suggests that the Commission considers additional safeguards to prevent undue delays and to expedite the determination of whether an offer by the holder of standard essential patents is, in fact, consistent with its FRAND obligations and, if those terms are found to be inconsistent therewith, the actual determination of FRAND terms. To make the proposed commitments more effective in this respect, ICC suggests in particular to:

- make clear that courts or arbitrators should first determine whether a licensor's offer is consistent with its FRAND obligations and only proceed to the actual determination of those terms if the terms offered are found to be non-FRAND;
- make clear that the licensor's offer may be limited to all of their SEP patents, its portfolio, or part thereof;
- make clear that courts or arbitrators shall not be required to issue separate determinations of essentiality, infringement, validity, or enforcement of any patent, it being understood that potential licensees may challenge the validity, essentiality or enforceability of such patents outside the FRAND adjudication process as prescribed by the commitments;
- make clear that, if the adjudicator determines that the licensor's offer is consistent with its FRAND obligations, such terms will form the basis for a binding license agreement between the licensor and the potential licensee;
- make clear that the licensor is relieved from its obligation not to seek injunctive relief under section 2 of the draft commitments if it is demonstrated that the potential licensee, despite its adherence to the Licensing Framework, does not negotiate in good faith;
- make clear that licensors and potential licensees may expedite the adjudication process by preparing for and effectively starting the adjudication process by a court or arbitral tribunal pending the outcome of the twelve month period;
- consider to impose additional safeguards to ensure that a *de novo* appeal procedure would not be a retrial of the first arbitration, for instance by stipulating that that procedure should be on points of law only.

The International Chamber of Commerce (ICC)

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote open international trade and investment and help business meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the 20th century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rule setting, dispute resolution, and policy advocacy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice. ICC also offers specialized training and seminars and is an industry-leading publisher of practical and educational reference tools for international business, banking and arbitration.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on relevant technical subjects. These include anti-corruption, banking, the digital economy, marketing ethics, environment and energy, competition policy and intellectual property, among others.

ICC works closely with the United Nations, the World Trade Organization and intergovernmental forums including the G20.

ICC was founded in 1919. Today its global network comprises over 6 million companies, chambers of commerce and business associations in more than 130 countries. National committees work with ICC members in their countries to address their concerns and convey to their governments the business views formulated by ICC.



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Policy and Business Practices

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